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*First Maritime
Mining Corporation Limited*

(No Personal Liability)

Eighteenth Annual Report

For the Year Ended December 31, 1970



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First Maritime Mining Corporation Limited

(No Personal Liability)

DIRECTORS

L. F. DALEY, Q.C. Halifax, Nova Scotia
R. J. ISAACS Islington, Ontario
W. D. MACAULAY Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
L. McC. RITCHIE, Q.C. Saint John, New Brunswick

OFFICERS

R. J. ISAACS *Chairman of the Board*
L. McC. RITCHIE, Q.C. *President*
W. D. MACAULAY *Vice President and Secretary*
D. A. MACFARLANE *Treasurer*
MRS. M. JONES *Asst. Secretary*

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA,
TORONTO, ONTARIO
AND c/o
THE CENTRAL TRUST COMPANY OF CANADA,
FREDERICTON, NEW BRUNSWICK

BANKERS

THE BANK OF NOVA SCOTIA

AUDITORS

MCDONALD, CURRIE & Co.,
SAINT JOHN, NEW BRUNSWICK

HEAD OFFICE

GOLDEN BALL BUILDING,
SAINT JOHN, NEW BRUNSWICK

TORONTO OFFICE

SUITE 3706, ROYAL TRUST TOWER,
TORONTO DOMINION CENTRE,
TORONTO 111, ONTARIO

MINE OFFICE

GULLBRIDGE MINES: GULLBRIDGE, NEWFOUNDLAND

First Maritime Mining Corporation Limited

(No Personal Liability)

DIRECTORS' REPORT

EARNINGS

Earnings during 1970 were all derived from the Company's wholly-owned subsidiary, Gullbridge Mines Limited.

	1970	1969
Operating profit	\$ 872,711	\$3,849,845
Financial expense	380,737	570,481
Provincial mining tax	—	120,000
Profit before write-offs	291,974	3,159,364
Depreciation and other write-offs	2,001,733	1,488,076
Net earnings (loss)	\$ (1,509,759)	\$1,671,288
Net earnings/share (loss)	(28.1) c	31.1 c

The substantial decrease in earnings in 1970 is due to the following:

- (i) Copper in settlements receivable at year end was priced at 45c per pound compared with 60c per pound at the close of 1969. This price was used to comply with the accounting principle of valuing settlements receivable at estimated realizable value reflecting the lower price of copper at December 31, 1970.
- (ii) Net tons of concentrate produced in 1970 was 3,674, which was 16% less than in the previous year due to a decrease in the grade of ore treated.
- (iii) The unpegging of the Canadian dollar in June 1970 decreased the revenue on export sales for the remainder of the year by approximately five percent. This had a direct effect on net earnings.
- (iv) The basis of amortization and depreciation was revised in 1970. This had the effect of increasing 1970 costs by \$459,678. Had the new basis been in effect from January 1, 1969, earnings for that year would have been reduced by \$137,000 and the 1970 cost would have been less by \$37,000.
- (v) Arbitrary action was taken by the Federal Government which, in effect, forced Eastern Canadian copper producers to subsidize the Canadian copper fabricator for a portion of the year, by requiring that 20% of the output in Canada be sold at Canadian prices which were lower than prices obtainable overseas.

FINANCIAL

The attached financial statements included herein indicate that the Company's working capital was improved by an amount of approximately \$287,000 during the year. This was after a reduction in long-term debt of \$43,930. Capital expenditures were kept to a minimum and the amount of \$247,000 spent for this purpose was primarily for the expansion of the concentrator and the purchase of additional underground equipment to make more secure production from the mine. Working capital at year end amounted to \$1,157,617.

MINING OPERATIONS

The operation of Gullbridge Mine is summarized in the report by the Mine Manager, Mr. W. H. Smith. During 1970, due to unusually high dilution, mill heads averaged approximately 12.5% below the estimated grade of the ore reserves. The lower grade was offset partly by increasing the tons milled by 18% over 1969. Plans are under way to increase the mill grade which, it is hoped, will approximate mine average before the end of 1971. The volume of ore treated should also show an increase. Ore reserves at year end were 2,090,000 tons averaging 0.8% copper, sufficient for 2.7 years.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

The Company owns 1,933,353 common shares of the capital stock of Brunswick Mining and Smelting Corporation Limited, which represents 20.4 % of the presently outstanding common shares. The intention of the Directors is to continue to hold these shares.

The 1970 annual report of Brunswick indicated that its ore reserves increased from approximately 92.9 million tons at the beginning of the year to 96.7 million tons at the end of 1970.

LITTLE BAY POWER CORPORATION LIMITED

Little Bay Power is a wholly-owned subsidiary of Gullbridge Mines Limited. This Company has a contract to sell power to Gullbridge Mines and has the right by Order-in-Council of the Government of Newfoundland to distribute power within a designated area. The savings on reduced power costs have more than covered the \$360,000 paid for the stock of the power company and further benefits should accrue to the Company.

THE NEW BRUNSWICK PROPERTIES

The Company entered into an agreement with Atlantic Coast Copper Corporation Limited during 1970 for joint exploration of the two Company properties which are located adjacent to Brunswick Mining and Smelting Corporation's property on which their No. 6 ore-body occurs.

An electromagnetic survey employing a new technique to provide greater penetration was conducted over both properties. Several anomalies were outlined in addition to those indicated by previous E-M surveys. One of the anomalies, on the most northerly group, was investigated by diamond drilling and gave negative results. The available data will be reassessed in order to decide on future plans.

METAL MARKETS

The regulations placed on copper sales by the Federal Government made it possible for the Canadian fabricator to profit at the expense of the the Eastern Canada copper producers, many of whom were making less profit than the fabricators. Canadian fabricators received 19.7 percent of the copper sold by Noranda Sales for the account of Gullbridge from February to July inclusive. In August the L.M.E. price fell below the Canadian price and the demands of the Canadian fabricator for the remainder of the year fell from approximately 20% to 8.0% of Gullbridge sales.

ACKNOWLEDGEMENTS

On February 5, 1971, due to other pressing business interests, Mr. L. F. Daley, Q.C. resigned as President of the Company and Mr. L. McC. Ritchie, Q.C. was appointed in his place. The Directors wish to thank Mr. Daley for his valued services. They also acknowledge and express their thanks and appreciation to the Mine Manager, staff and employees of the Gullbridge mine.

On Behalf of the Board of Directors,

L. McC. RITCHIE,

President.

April 28, 1971

First Maritime Mining Corporation

(No Personal Assets)

CONSOLIDATED BALANCE SHEET

ASSETS

	1970 \$	1969 \$
Current Assets		
Cash	34,435	17,316
Net estimated amount receivable from sale of copper concentrates (note 2)	2,032,601	2,354,072
Accounts receivable (note 2)	29,148	29,182
Prepaid expenses	18,526	12,577
	<u>2,114,710</u>	<u>2,413,147</u>
Investments		
Shares in Brunswick Mining and Smelting Corporation Limited 1,933,353 common shares at cost (quoted value \$8,603,421; 1969 - \$17,013,506) (note 4)	5,675,422	5,675,422
Shares in Little Bay Power Corporation Limited — a wholly owned subsidiary (note 1)	67,000	188,000
	<u>5,742,422</u>	<u>5,863,422</u>
Fixed Assets		
Land, mining grants and mining licenses — at cost less amortization (note 4)	138,216	144,725
Buildings, equipment and surface structures (notes 3 and 4)	3,749,242	4,779,754
	<u>3,887,458</u>	<u>4,924,479</u>
Deferred Expenditures		
Materials and supplies, at lower of cost or net estimated realizable value	394,218	409,058
Preproduction expense, at cost less accumulated amortization of \$2,665,492 (1969 - \$1,980,868)	2,096,935	2,765,602
	<u>2,491,153</u>	<u>3,174,660</u>
	<u>14,235,743</u>	<u>16,375,708</u>

Signed on behalf of the Board:

L. McC. RITCHIE, Director.

D. A. MACFARLANE, Director.

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AS AT DECEMBER 31, 1970

LIABILITIES

	1970 \$	1969 \$
Current Liabilities		
Bank advances — secured (note 2)	646,598	589,375
Accounts payable and accrued liabilities	266,365	642,437
Mining taxes payable	—	118,180
Current portion of long-term debt	44,130	193,377
	<u>957,093</u>	<u>1,543,369</u>
 Long-Term Debt		
8 $\frac{5}{8}$ % convertible debentures due December 31, 1973 - secured (note 4)	2,500,000	2,500,000
5 $\frac{7}{8}$ % loan - Government of Canada, repayable in annual instalments of \$29,750, blended principal and interest, to March 1, 1983 (note 3)	265,303	278,680
Promissory notes - payable in monthly instalments of \$15,000 per month to February 15, 1971	29,967	209,767
	<u>2,795,270</u>	<u>2,988,447</u>
Less: Current portion included in current liabilities	44,130	193,377
	<u>2,751,140</u>	<u>2,795,070</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 4)		
Authorized —		
7,000,000 shares of \$1 par value		
Issued and fully paid —		
5,371,280 shares	5,371,280	5,371,280
Contributed Surplus	8,766,794	8,766,794
Deficit	(3,048,154)	(1,538,395)
Excess of Cost over Book Value of Investment in Subsidiary Company	(562,410)	(562,410)
	<u>10,527,510</u>	<u>12,037,269</u>
	<u>14,235,743</u>	<u>16,375,708</u>

First Maritime Mining Corporation Limited

and Subsidiary Companies

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the year ended December 31, 1970

	1970 \$	1969 \$
Income		
Copper concentrate production	5,088,965	7,816,996
Less: Marketing costs	946,272	1,030,519
	<hr/> 4,142,693	<hr/> 6,786,477
Operating Expenses	3,269,982	2,936,632
	<hr/>	<hr/>
Profit on Operations before the undernoted items	872,711	3,849,845
	<hr/>	<hr/>
Amortization of mining property	6,508	6,743
Depreciation of buildings, surface structures and equipment (note 8)	1,214,601	732,515
Mine development expenses written off	684,624	701,818
Write-off of investment in subsidiary (note 1)	96,000	47,000
	<hr/> 2,001,733	<hr/> 1,488,076
	<hr/>	<hr/>
Profit (Loss) On Operations	(1,129,022)	2,361,769
	<hr/>	<hr/>
Financial Expense		
Interest on debentures	215,625	173,434
Other interest	165,112	363,931
Loss on foreign exchange transactions	—	33,116
	<hr/> 380,737	<hr/> 570,481
	<hr/>	<hr/>
Net Earnings (Loss) Before Taxes	(1,509,759)	1,791,288
Provincial mining tax	—	120,000
	<hr/>	<hr/>
Net Earnings (Loss) For The Year (note 5)	(1,509,759)	1,671,288
Deficit — Beginning Of Year	1,538,395	3,209,683
	<hr/>	<hr/>
Deficit — End Of Year	3,048,154	1,538,395
	<hr/> <hr/>	<hr/> <hr/>

First Maritime Mining Corporation Limited *and Subsidiary Companies*

(No Personal Liability)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1970

	1970 \$	1969 \$
Source Of Funds		
From operations	491,974	3,159,364
Issue of promissory notes	—	360,000
Sale of fixed assets	63,249	52,000
Decrease in materials and supplies	14,840	118,925
Redemption of preferred shares in wholly owned subsidiary	25,000	125,000
	<hr/> 595,063	<hr/> 3,815,289
 Use Of Funds		
Purchase of fixed assets	247,338	384,184
Increase in preproduction expense	15,956	323,207
Repayment of promissory notes	29,967	330,233
Repayment of loan - Government of Canada	13,963	13,377
Purchase of shares in wholly owned subsidiary	—	360,000
	<hr/> 307,224	<hr/> 1,411,001
 Increase in Working Capital	287,839	2,404,288
Working Capital (Deficit) — Beginning of Year	869,778	(1,534,510)
	<hr/>	<hr/>
Working Capital — End of Year	<hr/> 1,157,617	<hr/> 869,778

First Maritime Mining Corporation Limited *and Subsidiary Companies*

(No Personal Liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1970

1. Basis of Consolidation

The consolidated financial statements include the accounts of Gullbridge Mines Limited and Gulmar Limited.

Little Bay Power Corporation Limited, a wholly owned subsidiary of Gullbridge, whose accounts were not consolidated with those of Gullbridge since its operations are of a different nature, has accumulated losses since acquisition of \$79,575 including net earnings of \$703 for the year. Write-offs of this investment in the accounts of Gullbridge since acquisition, including \$96,000 during the year, aggregate \$143,000.

2. Security For Bank Advances

Book debts of the company's subsidiary, Gullbridge Mines Limited, have been pledged as security for bank advances.

3. Buildings, Equipment and Surface Structures

(a) Buildings, equipment and surface structures are comprised of:

	1970 \$	1969 \$
at Great Gull Lake and Wolf Cove —		
Buildings, equipment, other surface installations and wharf - at cost	6,729,474	6,524,403
Accumulated depreciation	3,133,810	1,940,189
	<u>3,595,664</u>	<u>4,584,214</u>
at Tilt Cove —		
Plant and equipment at net estimated realizable value	3,578	45,540
Power plant, at net estimated realizable value	150,000	150,000
	<u>153,578</u>	<u>195,540</u>
	<u>3,749,242</u>	<u>4,779,754</u>

(b) The cost of construction of the wharf at Wolf Cove amounting to \$291,316 was incurred by the Department of Public Works of the Government of Canada on behalf of the company, repayable by the company in annual instalments of \$29,750, blended principal and interest. Upon repayment of the amount plus interest at 5 $\frac{7}{8}$ %, title to the wharf passes to the company.

4. Long-Term Debt and Capital Stock

(a) Convertible debentures —

1. The \$2,500,000 8½% convertible debentures are secured by a floating charge on the company's assets and by a first mortgage on the mining property and/or mining interest and fixed assets of the company's wholly-owned subsidiary, Gullbridge Mines Limited.

Written consent of not less than 80% of debenture holders must be obtained before the company can sell, mortgage or otherwise dispose of any shares of Brunswick Mining and Smelting Corporation Limited.

2. The holders of the \$2,500,000 8½% convertible debentures have the option of converting these into shares of the company as follows:
 - (i) On or before June 1, 1971, one share for each \$1.85 principal amount of debentures — equivalent to 1,351,351 shares.
 - (ii) Subsequent to June 1, 1971 but on or before three business days prior to December 31, 1973, one share for each \$2.00 principal amount of debentures — equivalent to 1,250,000 shares.

At December 31, 1970, 1,351,351 shares of capital stock were reserved for issue on conversion of 8½% convertible debentures.

(b) Outstanding agreement —

Falconbridge Nickel Mines Limited, under existing agreements, has the right to participate to the extent of one-third of any future financing which might be arranged by the company.

5. Income Taxes

The company and its subsidiary, Gullbridge Mines Limited, have available substantial deductions and allowances, the amount of which cannot be determined at this time, which may be used to reduce future years' taxes.

6. Remuneration of Directors and Senior Officers

Total remuneration paid or payable to directors and senior officers (including the five highest paid employees as defined in the Securities Act, 1966 Ontario) for 1970 amounted to \$89,108. In addition, a fee for consulting engineering and managerial services amounting to \$22,000 was paid to R. J. Isaacs Engineering Limited of which R. J. Isaacs is a director and officer; Messrs. McKelvey, Macaulay, Machum & Fairweather, in which firm W. D. Macaulay is a partner, were paid \$11,935 for legal services; Messrs. Daley, Black, Moreira & Piercey in which firm L. F. Daley, Q.C. is a partner were paid \$600 for legal services.

7. Participation Agreement with Atlantic Coast Copper Corporation Limited

Under this participation agreement which commenced in 1970 the company expended \$8,945 during the year on exploration work on its Bathurst mining properties. Atlantic Coast Copper expended \$8,046 on these properties during the same period and in consideration therefore acquired the right to a 50% interest in a new company if commercial ore or minerals are discovered. This agreement expires July 31, 1971 with an option given to renew for two further terms of one year each.

8. Change in Amortization and Depreciation Policy

During the year the company's wholly owned subsidiary, Gullbridge Mines Limited, changed its amortization and depreciation policy from estimated mine life to an economic life based on ore reserves. Had the former been used in the current year, the aggregate charges to earnings would have been \$459,678 less than as shown.

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of First Maritime Mining Corporation Limited (No personal liability) and subsidiaries as at December 31, 1970 and the consolidated statements of earnings and deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in amortization and depreciation policy as referred to in note 8 to the financial statements, in which we concur, have been applied on a basis consistent with that of the preceding year.

MCDONALD, CURRIE & CO.,

Chartered Accountants.

Saint John, N. B.,
February 26, 1971.

First Maritime Mining Corporation Limited

(No Personal Liability)

MINE MANAGER'S REPORT _____ **on the Gullbridge Mine** _____

This report covers the operation of the mine for the year 1970.

Mine and Concentrator Operation

Production for the year is summarized below:

	1970	1969
Average daily tonnage	2,010	1,698
Total tons treated	723,715	611,448
Average grade of ore (%)	0.70	0.97
Average copper recovery (%)	92.83	94.12
Tons concentrate produced	19,099	22,773
Average concentrate grade (%)	24.85	24.42
Total tons of copper in concentrates	4,675	5,560
Average price of copper marketed	67.58 c	62.17 c

Mine Development

	1970	To Date
#1 Shaft	— feet	1,080 feet
Stations	— feet	567 feet
Cross-cuts and drifts	4,598 feet	47,094 feet
Raises	542 feet	13,408 feet
Diamond drilling	8,453 feet	

Operating Costs

Average operating cost per dry ton of ore was as follows:	1970	1969
Mining and development	\$2.09	\$1.95
Exploration	0.08	0.25
Stope preparation	0.33	0.43
Milling	1.09	1.12
General and administration	0.77	0.81
	<u>\$4.36</u>	<u>\$4.56</u>

In order to increase production from the mine, two Scooptrams were purchased and the No. 1, No. 2, No. 4 and No. 8 Stopes were converted from slusher to scooptram operations.

Exploration

The exploration program started in 1969 was finished in 1970 with 531 feet of drifting on the 850 level and 6,232 feet of diamond drilling. Four drill holes totalling 2,221 feet were drilled from the ice of Gull Pond to investigate known anomalies. No ore in economical quantities was encountered.

Ore Reserves

At the end of the year, ore reserves were 2,090,000 tons at 0.80% copper. There is an additional amount of 445,445 tons of broken ore in 6 and 8 stopes which could become economical should copper prices improve.

General

During the year, the capacity of the Mill was raised to 2,500 T.P.D. by the addition of two 8 x 9 ball mills in series. These mills were started up in mid August.

The main tailings dam was raised during the year by the addition of 65,792 cu. yards of fill.

The north retaining dam in Gull Lake began to build up internal pressure due to clogging of the downstream filter toe. Under supervision of our consulting engineers, this situation was remedied by removing 7,252 cu. yards of fine material and replacing it with 6,004 cu. yards of rock and gravel. This work successfully lowered water levels in the dam and by year end there was no change in levels indicating a suitable static condition.

Acknowledgement

I wish to thank the President, Directors, and Mine staff of the Company for their continued help and able assistance.

W. HOLLAND SMITH, B.A.Sc., P.Eng.,

Mine Manager.

